

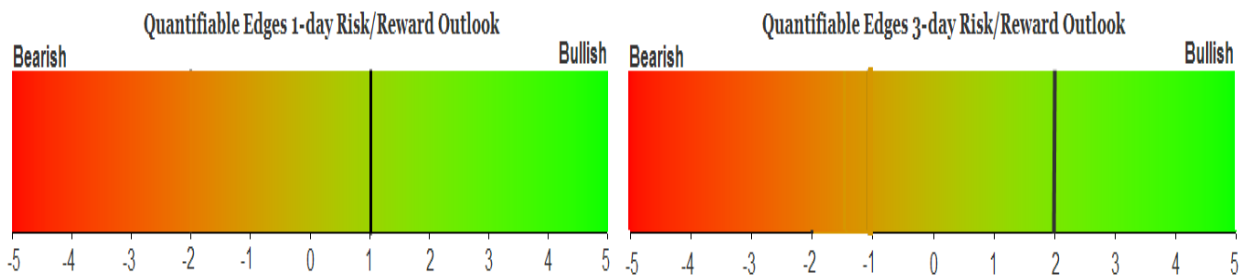
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

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## Market Overview



## Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Long       | 0           |

## Tonight's Research Points

- The big breadth reversal is something that rarely see upside follow through the next day.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bullish. Friday might see a pause, but there appears to be an upside edge over the next few days.

### ***The Evidence***

Whatever bothered the market Wednesday was not a problem Thursday. The indices bounced back nicely. The SPX rose 1.0%, the NASDAQ gained 1.3%, and the Russell 2000 climbed 1.7%. Breadth was extremely strong with the NYSE Up Issues % coming in at 80% and the Up Volume % at 91%. NYSE total volume declined for the 2<sup>nd</sup> day in a row (and it will likely be even lighter tomorrow).

Perhaps most notable about the action was the big swing in breadth. Wednesday was an 8% Up Volume day and Thursday was 91%. Using my Norgate data I looked back to 1962 to find other times there was a 90%+ up day that came right after a < 10% up day. I found that the reversal was generally so large that it did not often see a 2<sup>nd</sup> day of follow through. This can be seen in the table below.

| NYSE Up Vol % < 10%<br>yesterday and > 90% today.<br>SPX forward returns shown. |                |                |
|---|----------------|----------------|
| Ticker  | Date/Time      | Next Day % Chg |
| \$SPX   | 6/15/1962      | -0.27          |
| \$SPX   | 11/26/1963     | -0.18          |
| \$SPX   | 6/6/1967       | 0.75           |
| \$SPX   | 3/6/2007       | -0.25          |
| \$SPX   | 8/29/2007      | -0.42          |
| \$SPX   | 11/13/2008     | -4.17          |
| \$SPX   | 5/21/2010      | -1.29          |
| \$SPX   | 6/2/2010       | 0.41           |
| \$SPX   | 11/24/2010     | -0.75          |
| \$SPX   | 8/9/2011       | -4.42          |
| \$SPX   | 8/11/2011      | 0.53           |
| \$SPX   | 10/18/2011     | -1.26          |
| \$SPX   | 12/9/2011      | -1.49          |
| \$SPX   | 12/20/2011     | 0.19           |
| \$SPX   | 12/29/2011     | -0.43          |
| \$SPX   | 9/8/2015       | -1.39          |
| \$SPX   | 3/13/2020      | -11.98         |
| \$SPX   | 11/10/2022     | 0.92           |
|   | <b>Average</b> | <b>-1.42</b>   |
|   | <b>Median</b>  | <b>-0.43</b>   |
|   | <b>Win %</b>   | <b>27.8%</b>   |

The average is quite skewed by the 2020 instance. The median is perhaps more representative of what one might expect in this case. I have added this study to the Active List as a 1-day edge.

I have updated [the Aggregator chart](#) below.



Even with tonight's bearish evidence considered, the green Aggregator Line remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line held above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation stayed long at the close.

Based on the current active studies, expectations are set to remain positive on Friday. This is unlikely to change. Meanwhile, the Differential Pivot will be 4781.97 on Friday. That is 0.7% above Thursday's close. Therefore, SPX will need to close up at least 0.7% on Friday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is long. Expectations are positive and there is decent room to the upside before SPX would turn overbought. Of course tonight's study suggests that we could get a pause on Friday. The unfilled gap higher on Thursday prevented last night's trade idea from getting a fill, which was disappointing. I will try again tomorrow, but I will look for a lower close in order to enter.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 12/18– **bullish***

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

### ***Open Catapult Triggers***

**None**

### ***Broad Market Large Cap CBI – 0***

## **Additional New Trade Ideas**

*A full listing of system triggers can be found at the [numbered systems page](#) each night. I will cherry pick some of my favorite setups from the S&P 100 and ETF lists along with occasional other trade ideas to track below.*

**SPY – Buy ¼ index position @ \$472.369 LIMIT ON CLOSE.** Based on the short-term outlook above, I will look to start scaling into a position on Friday if SPY posts a down day.

## **Current Open Trade Ideas**

**None**

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